

Message Text

LIMITED OFFICIAL USE

PAGE 01 KUWAIT 04755 230740Z
ACTION NEA-10

INFO OCT-01 AF-10 ARA-10 EUR-12 EA-10 ISO-00 FEA-01
ERDA-05 AID-05 CEA-01 CIAE-00 COME-00 DODE-00
EB-08 FPC-01 H-01 INR-07 INT-05 L-03 NSAE-00
NSC-05 OMB-01 PM-05 USIA-06 OES-07 SP-02 SS-15
STR-04 TRSE-00 ACDA-07 PA-01 PRS-01 /144 W
-----013051 230834Z /10

R 230547Z AUG 77
FM AMEMBASSY KUWAIT
TO SECSTATE WASHDC 8834
INFO AMEMBASSY ABU DHABI
AMEMBASSY ALGIERS
USINT BAGHDAD
AMEMBASSY BRUSSELS
AMEMBASSY CARACAS
AMCONSUL DHAHRAN
AMEMBASSY DOHA
AMEMBASSY JAKARTA
AMEMBASSY JIDDA
AMEMBASSY LAGOS
AMEMBASSY LIBREVILLE
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY QUITO
AMEMBASSY TEHRAN
AMEMBASSY TRIPOLI
AMEMBASSY VIENNA

LIMITED OFFICIAL USE KUWAIT 4755

BRUSSELS PASS TO US MISSION EC

PARIS PASS TO US MISSION OECD

E.O. 11652: N/A
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 KUWAIT 04755 230740Z

TAGS: ENRG, OPEC
SUBJECT: KUWAIT OIL PRICE REDUCTION

REF: KUWAIT 4307

SUMMARY: OIL MINISTRY MARKETING DIRECTOR CONFIRMS THAT
KUWAIT HAS NOTIFIED ITS CUSTOMERS OF 10 CENT PER BARREL

EFFECTIVE PRICE CUT, THOUGH OFFICIAL PRICE PRESUMABLY TO REMAIN \$12.37 PER BBL. CUT TO BE GIVEN IN FORM OF CREDIT AT END OF YEAR. DIRECTOR SAYS MOST CUSTOMERS HAVE AGREED TO MEET APPROXIMATE CONTRACT MINIMUMS IN RETURN FOR 10 CENTS PER BARREL CREDIT. BASED ON HIS PREDICTIONS, TOTAL KUWAIT OIL SALES (INCLUDING SAUDI/KUWAIT NEUTRAL ZONE) LIKELY TO INCREASE FROM JULY LOW OF 1.6 MILLION B/D TO AVERAGE OF 2 MILLION B/D FOR SECOND HALF OF 1977, AND 1.94 MILLION B/D FOR YEAR 10 PERCENT BELOW 1976'S AVERAGE OF 2.15 MILLION B/D. GIVEN JAN. 1977 OIL PRICE RISE, REVENUE FOR 1977 WOULD BE SAME AS FOR 1976, AND COULD BE HIGHER IF END OF YEAR PRE-OPEC MEETING BUYING SETS IN. END SUMMARY.

1. LOCAL ARABIC DAILY AL-SIYASSA AUGUST 21 CARRIED STORY (LATER REPEATED BY VOA) THAT KUWAIT'S TRADITIONAL OIL CUSTOMERS HAD TOLD OIL MINISTRY THAT IF KUWAIT DID NOT REDUCE THE PRICE OF ITS HEAVY CRUDE BY AT LEAST 10 CENT A BARREL KUWAITI OIL SALES WOULD BE DRASTICALLY REDUCED. COMMENTING ON STORY TO E/C SECTION CHIEF AUGUST 22, OIL MINISTRY MARKETING DIRECTOR CONFIRMED WHAT MINISTER RECENTLY TOLD AMBASSADOR (REFTEL) SAYING THAT MINISTRY HAS NOTIFIED ITS CUSTOMERS OF ARRANGMENT WHICH PROVIDES EFFECTIVE 10 CENT PER BARREL PRICE DECREASE (TO \$12.27 FOR 31 API 2.5 PERCENT SULFUR HEAVY CRUDE). DIRECTOR SAID FIRMS HAVE BEEN TOLD THAT THEY WOULD RECEIVE A 10 CENT BARREL CREDIT RETROACTIVE TO JULY 1 LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 KUWAIT 04755 230740Z

ON ALL OIL PURCHASED IN THE SECOND HALF OF 1977 PROVIDED SECOND HALF 1977 10 CENTS PER BARREL CREDIT WOULD BE GIVEN TO COMPANIES FOR USE AGAINST PURCHASES MADE IN FIRST QUARTER OF 1978. HENCE TECHNICALLY, OFFICIAL KUWAITI PRICE WILL REMAIN \$12.37 PER BARREL. ALSO, ASSUMING AN INTEREST RATE OF 8 PERCENT ON A DISCOUNTED CASH FLOW BASIS, CREDIT AS OF THE FIRST OF JANUARY 1978 WOULD GIVE AN EFFECTIVE REDUCTION OF 9.4 CENTS PER BARREL.

2. MARKETING DIRECTOR ADMITTED THAT KUWAIT OIL SALES HAD SLUTUMPED BADLY IN JULY 1977, KUWAIT OIL COMPANY EXPORTS DROPPING FROM AN AVERAGE OF 1.365 MILLION B/D IBSTHE FIRST SIX MONTHS OF 1977 TO 1.155 MILLION B/D IN JULY. IF KOC SALES TO LOCAL REFINERIES (272,000 B/D) ARE ADDED, TOTAL JULY KOC SALES WERE 1.427 MILLION B/D COMPARED TO 1.659 MILLION B/D FOR THE FIRST HALF OF 1977. IF KUWAIT'S SHARE OF NEUTRAL ZONE PRODUCTION IS ADDED, DROP WAS FROM 1.833 MILLION B/D AVERAGE FOR THE FIRST HALF OF 1977 TO 1.6 MILLION B/D FOR JULY '77.

3. MARKETING DIRECTOR SAID THAT EVEN BEFORE EFFECTIVE PRICE CUT, SHELL HAD BEEN OFFLIFITNG AN AVERAGE ABOVE ITS 260,000 B/D

CONTRACTUAL MINIMUM. BP, HE SAID, NOTIFIED MINISTRY AUGUST 21 THAT, IN RETURN FOR 10 CENTS PER BARREL CREDIT, IT WOULD BE LIKELY TO MEET ITS 396,000 B/D CONTRACTUAL MINIMUM OFR SECOND HALF OF '77. REPRESENTATIVE OF THIRD MAJOR OFFTAKER, GULF, IS OUT OF COUNTRY BUT DIRECTOR IS OPTIMISTIC THAT GULF WILL AGREE TO MEET CONTRACTUAL MINIMUM IN RETURN FOR 10 CENT CREDIT. DETAILS ON ACTUAL JULY AND AUGUST PURCHASES AND PROJECTED PURCHASES BY OTHER CUSTOMERS WILL BE SENT TO DEPARTMENT AND SELCTED ADDRESSES BY AIRGRAM. NET EFFECT OF PRICE CUT APPEARS TO BE THAT TOTAL AUGUST OIL SALES, INCLUDING NEUTRAL ZONE PRODUCTION, LIKELY TO RISE TO NEARLY 1.9 MILLION B/D COMPARED TO ROUGHLY 1.6 MILLION B/D IN JULY AND THAT SALES FOR SECOND HALF OF '77 (INCLUDING KUWAIT SHARE OF NEUTRAL ZONE PRODUCTION) LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 KUWAIT 04755 230740Z

ARE LIKELY TO AVERAGE 2 MILLION B/D.

4. COMMENT: REPRESENTATIVE OF KUWAIT'S LARGEST CUSTOMER, GULF, (CONTRACTURAL MINIMUM 440,000 B/D) HAS REGULARLY PAINTED TALE OF WOE SAYING IT WOULD BE DIFFICULT TO MEET ITS CONTRACTUAL MINIMUM. FOR THE FIRST 6 .9,5# 9* 1977, GULF BOUGHT AN AVERAGE OF 415,000 B/D. GULF'S SECOND HALF OFFTAKE MAY BE LOWER THAN MARKETING DIRECTOR EXPECTS. HOWEVER, IT WOULD APPEAR THAT 10 CENTS PER BARREL CREDIT IS LIKELY TO INSURE KUWAIT OIL SALES NEAR THE PREDICTED 2 MILLION B/D SECOND HALF FIGURE. IF SO, THIS WOULD MAKE TOTAL 1977 PRODUCTION AVERAGE 1.94 MILLION BD, - TEN PERCENT DECLINE FROM 1976'S AVERAGE OF 2.15 MILLION B/D. GIVEN TEN PERCENT OIL PRICE RISE, NET OIL REVENUES FOR 1977 WOULD BE SAME AS 1976. SHOULD PRE-OPEC MEETING JITTERS LEAD TO EXTRA BUYING IN THE LAST QUARTER, AS THEY DID IN 1976, KUWAIT OIL PRODUCTION AND REVENUES FOR YEAR ARE LIKELY TO BE HIGHER. MAESTRONE

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, PRICES
Control Number: n/a
Copy: SINGLE
Sent Date: 23-Aug-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977KUWAIT04755
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770303-1072
Format: TEL
From: KUWAIT
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770834/aaaabcgz.tel
Line Count: 155
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 59fd6856-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 KUWAIT 4307
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 19-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1519043
Secure: OPEN
Status: NATIVE
Subject: KUWAIT OIL PRICE REDUCTION
TAGS: ENRG, KU, OPEC
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/59fd6856-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009